

Senate Bill 61

By: Senator Hudgens of the 47th

AS PASSED

AN ACT

To amend Chapter 59 of Title 33 of the Official Code of Georgia Annotated, relating to life settlements, so as to provide a short title; to provide for definitions; to provide for license requirements for providers and registration requirements for life settlement brokers; to provide suspension, revocation, and refusal to renew of such licenses; to provide for requirements for life settlement contracts; to provide for certain reporting requirements; to provide for certain privacy requirements; to provide for the examination of licensees; to provide for the authority of the Commissioner of Insurance to investigate persons involved in the life settlement business and in suspected fraudulent practices; to provide for restrictions on advertising; to provide for certain disclosures; to provide for requirements and procedures for life settlement contracts; to authorize the Commissioner of Insurance to promulgate rules and regulations; to provide for prohibited acts concerning life settlement contracts; to provide for fraud prevention and control; to provide for certain immunities from liability; to provide for confidentiality; to provide for injunctions and other civil remedies; to provide for criminal sanctions and penalties; to provide that violations of the chapter shall constitute unfair trade practices; to provide for related matters; to provide for effective dates and applicability; to repeal conflicting laws; and for other purposes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

Chapter 59 of Title 33 of the Official Code of Georgia Annotated, relating to life settlements, is amended by revising the chapter as follows:

"CHAPTER 59

33-59-1.

This chapter shall be known and may be cited as the 'Life Settlements Act.'

33-59-2.

As used in this chapter, the term:

(1) 'Advertisement' means any written, electronic, or printed communication or any communication by means of recorded telephone messages or transmitted on radio, television, the Internet, or similar communications media, including film strips, motion pictures, and videos, published, disseminated, circulated, or placed directly before the public in this state for the purpose of creating an interest in or inducing a person to purchase or sell, assign, devise, bequest, or transfer the death benefit or ownership of a life insurance policy or an interest in a life insurance policy pursuant to a life settlement contract.

(2) 'Business of life settlements' means an activity involved in, but not limited to, offering to enter into, soliciting, negotiating, procuring, effectuating, monitoring, or tracking of life settlement contracts.

(3) 'Chronically ill' means:

(A) Being unable to perform at least two activities of daily living such as eating, toileting, transferring, bathing, dressing, or continence;

(B) Requiring substantial supervision to protect the individual from threats to health and safety due to severe cognitive impairment; or

(C) Having a level of disability similar to that described in subparagraph (A) of this paragraph as determined by the United States Secretary of Health and Human Services.

(4) 'Financing entity' means an underwriter, placement agent, lender, purchaser of securities, purchaser of a policy or certificate from a provider, credit enhancer, or any entity that has a direct ownership in a policy or certificate that is the subject of a life settlement contract, but:

(A) Whose principal activity related to the transaction is providing funds to effect the life settlement contract or purchase of one or more policies; and

(B) Who has an agreement in writing with one or more providers to finance the acquisition of life settlement contracts.

'Financing entity' does not include a nonaccredited investor or purchaser.

(5) 'Financing transaction' means a transaction in which a licensed provider obtains financing from a financing entity including, without limitation, any secured or unsecured financing, any securitization transaction, or any securities offering which either is registered or exempt from registration under federal and state securities law.

(6) 'Fraudulent life settlement act' includes:

(A) Acts or omissions committed by any person who, knowingly and with intent to defraud, for the purpose of depriving another of property or for pecuniary gain, engages in acts, or permits its employees or its agents to engage in acts, including, but not limited to:

(i) Presenting, causing to be presented, or preparing with knowledge and belief that it will be presented to or by a provider, premium finance lender, life settlement broker, insurer, insurance producer, or any other person, false material information, or concealing material information, as part of, in support of, or concerning a fact material to one or more of the following:

- (I) An application for the issuance of a life settlement contract or insurance policy;
- (II) The underwriting of a life settlement contract or insurance policy;
- (III) A claim for payment or benefit pursuant to a life settlement contract or insurance policy;
- (IV) Premiums paid on an insurance policy;
- (V) Payments and changes in ownership or beneficiary made in accordance with the terms of a life settlement contract or insurance policy;
- (VI) The reinstatement or conversion of an insurance policy;
- (VII) The solicitation, offer to enter into, or effectuation of a life settlement contract or insurance policy;
- (VIII) The issuance of written evidence of life settlement contracts or insurance;
- (IX) Any application for or the existence of or any payments related to a loan secured directly or indirectly by an interest in a life insurance policy; or
- (X) Stranger originated life insurance as defined in paragraph (24) of this Code section;

(ii) Failing to disclose to the insurer where the request for such disclosure has been asked for by the insurer that the prospective insured has undergone a life expectancy evaluation by any person or entity other than the insurer or its authorized representatives in connection with the issuance of the policy;

(iii) Employing any device, scheme, or artifice to defraud in the business of life settlements; or

(iv) In the solicitation, application, or issuance of a life insurance policy, employing any device, scheme, or artifice in violation of state insurable interest laws; and

(B) In the furtherance of a fraud or to prevent the detection of a fraud, acts or omissions of any person, its employees, or its agents acting with such person's permission, to:

- (i) Remove, conceal, alter, destroy, or sequester from the Commissioner the assets or records of a licensee or other person engaged in the business of life settlements;
 - (ii) Misrepresent or conceal the financial condition of a licensee, financing entity, insurer, or other person;
 - (iii) Transact the business of life settlements in violation of laws requiring a license, certificate of authority, or other legal authority for the transaction of the business of life settlements;
 - (iv) File with the Commissioner or the chief insurance regulatory official of another jurisdiction a document containing false information or otherwise conceal information about a material fact from the Commissioner;
 - (v) Engage in embezzlement, theft, misappropriation, or conversion of moneys, funds, premiums, credits, or other property of a provider, insurer, insured, insurance policy owner, or any other person engaged in the business of life settlements or insurance;
 - (vi) Knowingly and with intent to defraud, enter into, broker, or otherwise deal in a life settlement contract, the subject of which is a life insurance policy that was obtained by presenting false information concerning any fact material to the policy or by concealing, for the purpose of misleading another, information concerning any fact material to the policy, where the owner or the owner's agent intended to defraud the policy's issuer;
 - (vii) Attempt to commit, assist, aid, or abet in the commission of, or conspiracy to commit, the acts or omissions specified in this paragraph; or
 - (viii) Misrepresent the state of residence of an owner to be a state or jurisdiction that does not have a law substantially similar to this chapter for the purpose of evading or avoiding the provisions of this chapter.
- (7) 'Insured' means the person covered under the policy being considered for sale in a life settlement contract.
- (8) 'Life expectancy' means the arithmetic mean of the number of months the insured under the life insurance policy to be settled can be expected to live as determined by professionally competent individuals considering medical records and appropriate experiential data.
- (9) 'Life insurance producer' means any person licensed in this state as a resident or nonresident insurance producer who has received qualification or authority for life insurance coverage or a life line of coverage pursuant to Chapter 23 of this title.

(10) 'Life settlement broker' means a person who, on behalf of an owner and for a fee, commission, or other valuable consideration, offers or attempts to negotiate life settlement contracts between an owner and providers. A life settlement broker represents only the owner and owes a fiduciary duty to the owner to act according to the owner's instructions, and in the best interest of the owner, notwithstanding the manner in which the life settlement broker is compensated. A life settlement broker does not include an attorney, certified public accountant, or financial planner retained in the type of practice customarily performed in their professional capacity to represent the owner whose compensation is not paid directly or indirectly by the provider or any other person, except the owner.

(11)(A) 'Life settlement contract' means a written agreement entered into between a provider and an owner establishing the terms under which compensation or any thing of value will be paid, which compensation or thing of value is less than the expected death benefit of the insurance policy or certificate, in return for the owner's assignment, transfer, sale, devise, or bequest of the death benefit or any portion of an insurance policy or certificate of insurance for compensation; provided, however, that the minimum value for a life settlement contract shall be greater than a cash surrender value or accelerated death benefit available at the time of an application for a life settlement contract. 'Life settlement contract' also includes the transfer for compensation or value of ownership or beneficial interest in a trust or other entity that owns such policy if the trust or other entity was formed or availed of for the principal purpose of acquiring one or more life insurance contracts, which life insurance contract insures the life of a person residing in this state.

(B) 'Life settlement contract' also includes:

- (i) A written agreement for a loan or other lending transaction, secured primarily by an individual or group life insurance policy; and
- (ii) A premium finance loan made for a policy on or before the date of issuance of the policy where:
 - (I) The loan proceeds are not used solely to pay premiums for the policy and any costs or expenses incurred by the lender or the borrower in connection with the financing;
 - (II) The owner receives on the date of the premium finance loan a guarantee of the future life settlement value of the policy; or
 - (III) The owner agrees on the date of the premium finance loan to sell the policy or any portion of its death benefit on any date following the issuance of the policy.

(C) Life settlement contract does not include:

- (i) A policy loan by a life insurance company pursuant to the terms of the life insurance policy or accelerated death provisions contained in the life insurance policy, whether issued with the original policy or as a rider;
- (ii) A premium finance loan, as defined in paragraph (18) of this Code section, or any loan made by a bank or other licensed financial institution, provided that neither default on such loan nor the transfer of the policy in connection with such default is pursuant to an agreement or understanding with any other person for the purpose of evading regulation under this chapter;
- (iii) A collateral assignment of a life insurance policy by an owner;
- (iv) A loan made by a lender that does not violate Chapter 22 of this title, provided such loan is not described in this paragraph as being included in the definition of a life settlement contract and is not otherwise within the definition of life settlement contract;
- (v) An agreement where all the parties are closely related to the insured by blood or law or have a lawful substantial economic interest in the continued life, health, and bodily safety of the person insured or are trusts established primarily for the benefit of such parties;
- (vi) Any designation, consent, or agreement by an insured who is an employee of an employer in connection with the purchase by the employer, or trust established by the employer, of life insurance on the life of the employee;
- (vii) A bona fide business succession planning arrangement between:
 - (I) One or more shareholders in a corporation or between a corporation and one or more of its shareholders or one or more trust established by its shareholders;
 - (II) One or more partners in a partnership or between a partnership and one or more of its partners or one or more trust established by its partners; or
 - (III) One or more members in a limited liability company or between a limited liability company and one or more of its members or one or more trust established by its members;
- (viii) An agreement entered into by a service recipient, or a trust established by the service recipient, and a service provider or a trust established by the service provider, who performs significant services for the service recipient's trade or business; or
- (ix) Any other contract, transaction, or arrangement from the definition of life settlement contract that the Commissioner determines is not of the type intended to be regulated by this chapter.

(12) 'Net death benefit' means the amount of the life insurance policy or certificate to be settled less any outstanding debts or liens.

(13) 'Owner' means the owner of a life insurance policy or a certificate holder under a group policy, with or without a terminal illness, who enters or seeks to enter into a life settlement contract. For the purposes of this chapter, an owner shall not be limited to an owner of a life insurance policy or a certificate holder under a group policy that insures the life of an individual with a terminal or chronic illness or condition except where specifically addressed. 'Owner' does not include:

- (A) Any provider or other licensee under this chapter;
- (B) A qualified institutional buyer as defined in Rule 144A of the federal Securities Act of 1933, as amended;
- (C) A financing entity;
- (D) A special purpose entity; or
- (E) A related provider trust.

(14) 'Patient identifying information' means an insured's address, telephone number, facsimile number, e-mail address, photograph or likeness, employer, employment status, social security number, or any other information that is likely to lead to the identification of the insured.

(15) 'Person' means any natural person or a legal entity, including, but not limited to, a partnership, limited liability company, association, trust, or corporation.

(16) 'Policy' means an individual or group policy, group certificate, contract, or arrangement of life insurance owned by a resident of this state, regardless of whether delivered or issued for delivery in this state.

(17) 'Premium finance loan' is a loan made primarily for the purposes of making premium payments on a life insurance policy, which loan is secured by an interest in such life insurance policy.

(18) 'Provider' means a person, other than an owner, who enters into or effectuates a life settlement contract with an owner. A provider does not include:

- (A) Any bank, savings bank, savings and loan association, or credit union;
- (B) A licensed lending institution or creditor or secured party pursuant to a premium finance loan agreement which takes an assignment of a life insurance policy or certificate issued pursuant to a group life insurance policy as collateral for a loan;
- (C) The insurer of a life insurance policy or rider to the extent of providing accelerated death benefits or riders under this title or cash surrender value;

- (D) Any natural person who enters into or effectuates no more than one agreement in a calendar year for the transfer of a life insurance policy or certificate issued pursuant to a group life insurance policy for compensation or any thing of value less than the expected death benefit payable under the policy;
 - (E) A purchaser;
 - (F) Any authorized or eligible insurer that provides stop-loss coverage to a provider, purchaser, financing entity, special purpose entity, or related provider trust;
 - (G) A financing entity;
 - (H) A special purpose entity;
 - (I) A related provider trust;
 - (J) A life settlement broker; or
 - (K) An accredited investor or qualified institutional buyer as defined in, respectively, Regulation D, Rule 501, or Rule 144A of the federal Securities Act of 1933, as amended, who purchases a life settlement policy from a provider.
- (19) 'Purchased policy' means a policy or group certificate that has been acquired by a provider pursuant to a life settlement contract.
- (20) 'Purchaser' means a person who pays compensation or any thing of value as consideration for a beneficial interest in a trust which is vested with, or for the assignment, transfer, or sale of, an ownership or other interest in a life insurance policy or a certificate issued pursuant to a group life insurance policy which has been the subject of a life settlement contract.
- (21) 'Related provider trust' means a titling trust or other trust established by a licensed provider or a financing entity for the sole purpose of holding the ownership or beneficial interest in purchased policies in connection with a financing transaction. In order to qualify as a related provider trust, the trust must have a written agreement with the licensed provider under which the licensed provider is responsible for ensuring compliance with all statutory and regulatory requirements and under which the trust agrees to make all records and files relating to life settlement transactions available to the department as if those records and files were maintained directly by the licensed provider.
- (22) 'Settled policy' means a life insurance policy or certificate that has been acquired by a provider pursuant to a life settlement contract.
- (23) 'Special purpose entity' means a corporation, partnership, trust, limited liability company, or other legal entity formed solely to provide either directly or indirectly access to institutional capital markets for a financing entity or provider; or in connection with a transaction in which the securities in the special purpose entity are acquired by the

owner or by a qualified institutional buyer as defined in Rule 144 promulgated under the federal Securities Act of 1933, as amended, or the securities pay a fixed rate of return commensurate with established asset-backed institutional capital markets.

(24) 'Stranger originated life insurance' is a series of acts or a practice to initiate a life insurance policy for the benefit of a third-party investor who, at the time of policy origination, has no insurable interest in the insured. Stranger originated life insurance acts or practices include, but are not limited to, cases in which life insurance is purchased with resources or guarantees from or through a person or entity who, at the time of policy inception, could not lawfully initiate the policy himself or herself or itself, and where, at the time of inception, there is an arrangement or agreement to directly or indirectly transfer the ownership of the policy or the policy benefits to a third party. Trusts that are created to give the appearance of insurable interest and are used to initiate policies for investors violate insurable interest laws and the prohibition against wagering on life. Stranger originated life insurance arrangements do not include those practices set forth in subparagraph (C) of paragraph (11) of this Code section.

(25) 'Terminally ill' means having an illness or sickness that can reasonably be expected to result in death in 24 months or less.

33-59-3.

(a) No person, wherever located, shall act as a provider or life settlement broker with an owner or multiple owners who are residents of this state without first having obtained a license or acknowledgment of registration from the Commissioner. If there is more than one owner on a single policy and the owners are residents of different states, the life settlement contract shall be governed by the law of the state in which the owner having the largest percentage ownership resides or, if the owners hold equal ownership, the state of residence of one owner agreed upon in writing by all owners.

(b) Application for a provider license or life settlement broker registration shall be made to the Commissioner by the applicant on a form prescribed by the Commissioner and the application shall be accompanied by a fee in an amount established by the Commissioner; provided, however, that the license and renewal fees for a provider license shall be reasonable and that the registration and renewal fees for a life settlement broker registration shall not exceed those established for an insurance producer, as such fees are otherwise provided for in this title.

(c) A life insurance producer who has been duly licensed as a resident insurance producer with a life line of authority in this state or his or her home state for at least one year and is

licensed as a nonresident producer in this state shall be deemed to meet the licensing and registration requirements of this Code section and shall be permitted to operate as a life settlement broker.

(d) Not later than 30 days from the first day of operating as a life settlement broker, the life insurance producer shall notify the Commissioner that he or she is acting as a life settlement broker on a form prescribed by the Commissioner and shall pay any applicable fee to be determined by the Commissioner. Notification shall include an acknowledgment by the life insurance producer that he or she will operate as a life settlement broker in accordance with this chapter.

(e) The insurer that issued the policy that is the subject of a life settlement contract shall not be responsible for any act or omission of a life settlement broker, provider, or purchaser arising out of or in connection with the life settlement transaction unless the insurer receives compensation for the placement of a life settlement contract from the provider, purchaser, or life settlement broker in connection with the life settlement contract.

(f) A person licensed as an attorney, certified public accountant, or financial planner accredited by a nationally recognized accreditation agency who is retained to represent the owner and whose compensation is not paid directly or indirectly by the provider or purchaser may negotiate life settlement contracts on behalf of the owner without having to obtain a license as a life settlement broker.

(g) Licenses may be renewed every year on May 1 upon payment of the periodic renewal fee. Failure to pay the fee within the terms prescribed shall result in the automatic revocation of the license requiring periodic renewal.

(h) The term of a provider license shall be equal to that of a domestic stock life insurance company and the term of a life settlement broker registration shall be equal to that of an insurance producer license. Licenses or registrations requiring periodic renewal may be renewed on their anniversary date upon payment of the periodic renewal fee as specified in subsection (b) of this Code section. Failure to pay the fees on or before the renewal date shall result in expiration of the license or registration.

(i) The applicant shall provide such information as the Commissioner may require on forms prepared by the Commissioner. The Commissioner shall have the authority, at any time, to require such applicant to fully disclose the identity of its stockholders, except stockholders owning fewer than 10 percent of the shares of an applicant whose shares are publicly traded, partners, officers, and employees, and the Commissioner may, in the exercise of the Commissioner's sole discretion, refuse to issue such a license in the name

of any person if not satisfied that any officer, employee, stockholder, or partner thereof who may materially influence the applicant's conduct meets the standards of this chapter.

(j) A license issued to a partnership, corporation, or other entity authorizes all members, officers, and designated employees to act as a licensee under the license if those persons are named in the application and any supplements to the application.

(k) Upon the filing of an application and the payment of the license fee, the Commissioner shall make an investigation of each applicant and may issue a license if the Commissioner finds that the applicant:

- (1) If a provider, has provided a detailed plan of operation;
- (2) Is competent and trustworthy and intends to transact its business in good faith;
- (3) Has a good business reputation and has had experience, training, or education so as to be qualified in the business for which the license is applied;
- (4) If the applicant is a legal entity, is formed or organized pursuant to the laws of this state or is a foreign legal entity authorized to transact business in this state or provides a certificate of good standing from the state of its domicile; and
- (5) Has provided to the Commissioner an antifraud plan that meets the requirements of Code Section 33-59-14 and includes:

(A) A description of the procedures for detecting and investigating possible fraudulent acts and procedures for resolving material inconsistencies between medical records and insurance applications;

(B) A description of the procedures for reporting fraudulent insurance acts to the Commissioner;

(C) A description of the plan for antifraud education and training of its underwriters and other personnel; and

(D) A written description or chart outlining the arrangement of the antifraud personnel who are responsible for the investigation and reporting of possible fraudulent insurance acts and investigating unresolved material inconsistencies between medical records and insurance applications.

(l) The Commissioner shall not issue any license to any nonresident applicant unless a written designation of an agent for service of process is filed and maintained with the Commissioner or unless the applicant has filed with the Commissioner the applicant's written irrevocable consent that any action against the applicant may be commenced against the applicant by service of process on the Commissioner.

(m) The Commissioner shall not issue a license to any applicant unless the applicant has an adequate net worth as prescribed by order, rule, or regulation.

- (n) Each licensee shall file with the Commissioner on or before the first day of May of each year an annual statement containing such information as the Commissioner by rule may prescribe.
- (o) A provider shall not use any person to perform the functions of a life settlement broker as defined in paragraph (10) of Code Section 33-59-2 unless the person holds a current, valid registration as a life settlement broker and as provided in this Code section.
- (p) A life settlement broker shall not use any person to perform the functions of a provider as defined in paragraph (18) of Code Section 33-59-2 unless such person holds a current, valid license as a provider and as provided in this Code section.
- (q) A provider and a life settlement broker shall provide to the Commissioner new or revised information about officers, 10 percent or more stockholders, partners, directors, members, and designated employees within 30 days of any change.
- (r) An individual registered as a life settlement broker shall complete on a biennial basis 15 hours of training related to life settlements and life settlement transactions as required by the Commissioner; provided, however, that a life insurance producer who is operating as a life settlement broker pursuant to this Code section shall not be subject to the requirements of this subsection. Any person failing to meet the requirements of this subsection shall be subject to the penalties imposed by the Commissioner.

33-59-4.

- (a) The Commissioner may suspend, revoke, or refuse to renew the license of any licensee if the Commissioner finds that:
 - (1) There was any material misrepresentation in the application for the license;
 - (2) The licensee or any officer, partner, member, or director has been guilty of fraudulent or dishonest practices, is subject to a final administrative action, or is otherwise shown to be untrustworthy or incompetent to act as a licensee;
 - (3) The provider demonstrates a pattern of unreasonably withholding payments to policy owners;
 - (4) The licensee no longer meets the requirements for initial licensure;
 - (5) The licensee or any officer, partner, member, or director has been convicted of a felony or any misdemeanor of which criminal fraud is an element; or the licensee has pleaded guilty or nolo contendere to any felony or any misdemeanor of which criminal fraud or moral turpitude is an element regardless of whether a judgment of conviction has been entered by the court;

- (6) The provider has entered into any life settlement contract using a form that has not been approved pursuant to this chapter;
 - (7) The provider has failed to honor contractual obligations set out in a life settlement contract;
 - (8) The provider has assigned, transferred, or pledged a settled policy to a person other than a provider licensed in this state, purchaser, accredited investor or qualified institutional buyer as defined, respectively, in Regulation D, Rule 501, or Rule 144A of the federal Securities Act of 1933, as amended, financing entity, special purpose entity, or related provider trust;
 - (9) The licensee or any officer, partner, member, or key management personnel has violated any of the provisions of this chapter; or
 - (10) The provider has failed to maintain an adequate net worth.
- (b) Before the Commissioner denies a license application or suspends, revokes, or refuses to renew the license of any licensee under this chapter, the Commissioner shall conduct a hearing in accordance with Chapter 2 of this title.

33-59-5.

- (a) No person may use any form of life settlement contract in this state unless it has been filed with and approved, if required, by the Commissioner in a manner that conforms with the filing procedures and any time restrictions or deeming provisions, if any, for life insurance forms, policies, and contracts.
- (b) No insurer may, as a condition of responding to a request for verification of coverage or in connection with the transfer of a policy pursuant to a life settlement contract, require that the owner, insured, provider, or life settlement broker sign any form, disclosure, consent, waiver, or acknowledgment that has not been expressly approved by the Commissioner for use in connection with life settlement contracts in this state.
- (c) A person shall not use a life settlement contract form or provide to an owner a disclosure statement form in this state unless first filed with and approved by the Commissioner. The Commissioner shall disapprove a life settlement contract form or disclosure statement form if, in the Commissioner's opinion, the contract or provisions contained therein fail to meet the requirements of Code Sections 33-59-8, 33-59-9, 33-59-11, and 33-59-15 or are unreasonable, contrary to the interests of the public, or otherwise misleading or unfair to the owner. At the Commissioner's discretion, the Commissioner may require the submission of advertising material.

33-59-6.

(a)(1) Each provider shall file with the Commissioner on or before May 1 of each year an annual statement containing such information as the Commissioner may prescribe by rule or regulation in addition to any other requirements for any policy settled within five years of policy issuance. In addition to any other requirements, the annual statement shall specify the total number, aggregate face amount, and life settlement proceeds of policies settled during the immediately preceding calendar year, together with a breakdown of the information by policy issue year. The annual statement shall also include the names of the insurance companies whose policies have been settled and the life settlement brokers that have settled said policies.

(2) Such information shall be limited to only those transactions where the insured is a resident of this state and shall not include individual transaction data regarding the business of life settlements or information that there is a reasonable basis to believe could be used to identify the owner or the insured.

(3) Every provider that willfully fails to file an annual statement as required in this Code section or willfully fails to reply within 30 days to a written inquiry by the Commissioner in connection therewith, shall, in addition to other penalties provided by this chapter, be subject, upon due notice and opportunity to be heard, to a penalty of up to \$250.00 per day of delay, not to exceed \$25,000.00 in the aggregate, for each such failure.

(b) Except as otherwise allowed or required by law, a provider, life settlement broker, insurance company, insurance producer, information bureau, rating agency or company, or any other person with actual knowledge of an insured's identity shall not disclose the identity of an insured or information that there is a reasonable basis to believe could be used to identify the insured or the insured's financial or medical information to any other person unless the disclosure:

(1) Is necessary to effect a life settlement contract between the owner and a provider and the owner and insured have provided prior written consent to the disclosure;

(2) Is necessary to effectuate the sale of life settlement contracts, or interests therein, as investments, provided that the sale is conducted in accordance with applicable state and federal securities law and provided further that the owner and the insured have both provided prior written consent to the disclosure;

(3) Is provided in response to an investigation or examination by the Commissioner or any other governmental officer or agency or pursuant to the requirements of Code Section 33-59-7;

- (4) Is a term or condition to the transfer of a policy by one provider to another provider, in which case the receiving provider shall be required to comply with the confidentiality requirements of this subsection;
 - (5) Is necessary to allow the provider or life settlement broker or its authorized representatives to make contacts for the purpose of determining health status. For the purposes of this paragraph, the term 'authorized representative' shall not include any person who has or may have any financial interest in the settlement contract other than a provider, registered life settlement broker, financing entity, related provider trust, or special purpose entity. A provider or life settlement broker shall require its authorized representative to agree in writing to adhere to the privacy provisions of this chapter; or
 - (6) Is required to purchase stop-loss coverage.
- (c) Nonpublic personal information solicited or obtained in connection with a proposed or actual life settlement contract shall be subject to the provisions applicable to financial institutions under the federal Gramm-Leach-Bliley Act, P.L. 106-102 (1999), and all other state and federal laws relating to confidentiality of nonpublic personal information.

33-59-7.

- (a) The Commissioner may, when the Commissioner deems it reasonably necessary to protect the interests of the public, examine the business and affairs of any licensee or applicant for a license. The Commissioner may order any licensee or applicant to produce any records, books, files, or other information reasonably necessary to ascertain whether such licensee or applicant is acting or has acted in violation of the law or otherwise contrary to the interests of the public. The expenses incurred in conducting any examination shall be paid by the licensee or applicant.
- (b) In lieu of an examination under this chapter of any foreign or alien licensee licensed in this state, the Commissioner may, at the Commissioner's discretion, accept an examination report on the licensee as prepared by the Commissioner for the licensee's state of domicile or port-of-entry state.
- (c) Names of and individual identification data for all owners and insureds shall be considered private and confidential information and shall not be disclosed by the Commissioner unless required by law.
- (d) Records of all consummated transactions and life settlement contracts shall be maintained by the provider for three years after the death of the insured and shall be available to the Commissioner for inspection during reasonable business hours.

- (e) (1) Upon determining that an examination should be conducted, the Commissioner shall issue an examination warrant appointing one or more examiners to perform the examination and instructing them as to the scope of the examination. In conducting the examination, the examiner shall use methods common to the examination of any life settlement licensee and should use those guidelines and procedures set forth in an examiners' handbook adopted by a national organization. The Commissioner may also employ such other guidelines as the Commissioner may deem appropriate.
- (2) Every licensee or person from whom information is sought, its officers, directors, and agents shall provide to the examiners timely, convenient, and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents, assets, and computer or other recordings relating to the property, assets, business, and affairs of the licensee being examined. The officers, directors, employees, and agents of the licensee or person shall facilitate the examination and aid in the examination so far as it is in their power to do so. The refusal of a licensee, by its officers, directors, employees, or agents, to submit to examination or to comply with any reasonable written request of the Commissioner shall be grounds for suspension or refusal of or nonrenewal of any license or authority held by the licensee to engage in the life settlement business or other business subject to the Commissioner's jurisdiction. Any proceedings for suspension, revocation, or refusal of any license or authority shall be conducted pursuant to Chapter 2 of this title.
- (3) The Commissioner shall have the power to issue subpoenas, to administer oaths, and to examine under oath any person as to any matter pertinent to the examination. Upon the failure or refusal of a person to obey a subpoena, the Commissioner may petition a court of competent jurisdiction and, upon proper showing, the court may enter an order compelling the witness to appear and testify or produce documentary evidence.
- (4) When making an examination under this Code section, the Commissioner may retain attorneys, appraisers, independent actuaries, independent certified public accountants, or other professionals and specialists as examiners, the reasonable cost of which shall be borne by the licensee that is the subject of the examination.
- (5) Nothing contained in this Code section shall be construed to limit the Commissioner's authority to terminate or suspend an examination in order to pursue other legal or regulatory action pursuant to the insurance laws of this state. Findings of fact and conclusions made pursuant to any examination shall be prima-facie evidence in any legal or regulatory action.

- (6) Nothing contained in this Code section shall be construed to limit the Commissioner's authority to use and, if appropriate, to make public any final or preliminary examination report, any examiner or licensee work papers or other documents, or any other information discovered or developed during the course of any examination in the furtherance of any legal or regulatory action which the Commissioner may, in his or her sole discretion, deem appropriate.
- (f) (1) Examination reports shall be composed of (A) only facts appearing upon the books, records, or other documents of the licensee, its agents, or other persons examined or as ascertained from the testimony of the licensee's officers or agents or other persons examined concerning the licensee's affairs and (B) such conclusions and recommendations as the examiners find reasonably warranted from the facts.
- (2) No later than 60 days following completion of the examination, the examiner in charge shall file with the Commissioner a verified written report of examination under oath. Upon receipt of the verified report, the Commissioner shall transmit the report to the licensee examined, together with a notice that shall afford the licensee examined a reasonable opportunity of not more than 30 days to make a written submission or rebuttal with respect to any matters contained in the examination report and which shall become part of the report or to request a hearing on any matter in dispute if the Commissioner deems such written submission or rebuttal comments appropriate and consistent with the findings of the examination.
- (3) In the event the Commissioner determines that regulatory action is appropriate as a result of an examination, the Commissioner may initiate any proceedings or actions provided by law.
- (g) (1) Names and individual identification data for all owners, purchasers, and insureds shall be considered private and confidential information and shall not be disclosed by the Commissioner unless the disclosure is to another regulator or is required by law.
- (2) Except as otherwise provided in this chapter, all examination reports, working papers, recorded information, documents, and copies thereof produced by, obtained by, or disclosed to the Commissioner or any other person in the course of an examination made under this chapter or in the course of analysis or investigation by the Commissioner of the financial condition or market conduct of a licensee shall be confidential by law and privileged, shall not be subject to the provisions of Article 4 of Chapter 18 of Title 50, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action.

The Commissioner is authorized to use the documents, materials, or other information in the furtherance of any regulatory or legal action brought as part of the Commissioner's official duties. The licensee being examined may have access to all documents used to make the report except documents and work papers that the Commissioner has deemed privileged.

- (h) (1) An examiner shall not be appointed by the Commissioner if the examiner, either directly or indirectly, has a conflict of interest or is affiliated with the management of or owns a pecuniary interest in any person subject to examination under this chapter. This subsection shall not be construed to preclude automatically an examiner from being:

(A) An owner;

(B) An insured in a life settlement contract or insurance policy; or

(C) A beneficiary in an insurance policy that is proposed for a life settlement contract.

(2) Notwithstanding the requirements of this subsection, the Commissioner may retain from time to time, on an individual basis, qualified actuaries, certified public accountants, or other similar individuals who are independently practicing their professions even though these persons may from time to time be similarly employed or retained by persons subject to examination under this chapter.

- (i) (1) No cause of action shall arise nor shall any liability be imposed against the Commissioner, the Commissioner's authorized representatives, or any examiner appointed by the Commissioner for any statements made or conduct performed in good faith while carrying out the provisions of this chapter.

(2) No cause of action shall arise nor shall any liability be imposed against any person for the act of communicating or delivering information or data to the Commissioner or the Commissioner's authorized representative or examiner pursuant to an examination made under this chapter if the act of communication or delivery was performed in good faith and without fraudulent intent or the intent to deceive. This paragraph shall not abrogate or modify in any way any common law or statutory privilege or immunity heretofore enjoyed by any person identified in paragraph (1) of this subsection.

(3) A person identified in paragraph (1) or (2) of this subsection shall be entitled to an award of attorney's fees and costs if he or she is the prevailing party in a civil cause of action for libel, slander, or any other relevant tort arising out of activities in carrying out the provisions of this chapter and the party bringing the action was not substantially justified in doing so. For purposes of this subsection, a proceeding is substantially justified if it had a reasonable basis in law or fact at the time that it was initiated.

(j) The Commissioner may investigate suspected fraudulent life settlement acts and persons engaged in the business of life settlements.

33-59-8.

(a) A registered life settlement broker or licensed provider who is registered or licensed pursuant to this chapter may conduct or participate in advertisements within this state. Such advertisements shall comply with all advertising and marketing laws of this state and rules and regulations promulgated by the Commissioner that are applicable to life insurers or to life settlement brokers and providers licensed pursuant to this chapter.

(b) Advertisements shall be accurate, truthful, and not misleading in fact or by implication.

(c) No person or trust shall:

- (1) Directly or indirectly, market, advertise, solicit, or otherwise promote the purchase of a policy for the sole purpose of or with a primary emphasis on settling the policy; or
- (2) Use the words 'free,' 'no cost,' or words of similar import in the marketing, advertising, soliciting, or otherwise promoting of the purchase of a policy.

33-59-9.

(a) The provider or broker shall provide in writing, in a separate document that is signed by the owner, the following information no later than the date of the application for a life settlement contract:

- (1) The fact that possible alternatives to life settlement contracts exist, including, but not limited to, accelerated benefits offered by the issuer of the life insurance policy;
- (2) The fact that some or all of the proceeds of a life settlement contract may be taxable and that assistance should be sought from a professional tax adviser;
- (3) The fact that the proceeds from a life settlement contract could be subject to the claims of creditors;
- (4) The fact that receipt of proceeds from a life settlement contract may adversely affect the recipient's eligibility for public assistance or other government benefits or entitlements and that advice should be obtained from the appropriate agencies;
- (5) The fact that the owner has a right to terminate a life settlement contract within 15 days of the date it is executed by all parties and the owner has received the disclosures contained in this Code section. Rescission, if exercised by the owner, is effective only if both notice of the rescission is given and the owner repays all proceeds and any premiums, loans, and loan interest paid on account of the provider within the rescission period. If the insured dies during the rescission period, the contract shall be deemed to

have been rescinded subject to repayment by the owner or the owner's estate of all proceeds and any premiums, loans, and loan interest to the provider;

(6) The fact that proceeds will be sent to the owner within three business days after the provider has received the insurer or group administrator's acknowledgment that ownership of the policy or interest in the certificate has been transferred and the beneficiary has been designated in accordance with the terms of the life settlement contract;

(7) The fact that entering into a life settlement contract may cause other rights or benefits, including conversion rights and waiver of premium benefits that may exist under the policy or certificate of a group policy, to be forfeited by the owner and that assistance should be sought from a professional financial adviser;

(8) The method of calculating the compensation paid or to be paid to the life settlement broker or any other person acting for the owner in connection with the transaction, where the term 'compensation' includes any thing of value paid or given;

(9) The date by which the funds will be available to the owner and the transmitter of the funds;

(10) The fact that the Commissioner shall require delivery of a buyer's guide or a similar consumer advisory package in the form prescribed by the Commissioner to owners during the solicitation process;

(11) The disclosure document shall contain the following language:

'All medical, financial, or personal information solicited or obtained by a provider or life settlement broker about an insured, including the insured's identity or the identity of family members, a spouse, or a significant other, may be disclosed as necessary to effect the life settlement contract between the owner and provider. If you are asked to provide this information, you will be asked to consent to the disclosure. The information may be provided to someone who buys the policy or provides funds for the purchase. You may be asked to renew your permission to share information every two years.';

(12) The fact that the Commissioner shall require providers and life settlement brokers to print separate signed fraud warnings on their applications and on their life settlement contracts as follows:

'Any person who knowingly presents false information in an application for insurance or life settlement contract is guilty of a crime and may be subject to fines and confinement in prison.';

- (13) The fact that the insured may be contacted by either the provider or life settlement broker or its authorized representative for the purpose of determining the insured's health status or to verify the insured's address. This contact is limited to once every three months if the insured has a life expectancy of more than one year and no more than once per month if the insured has a life expectancy of one year or less;
 - (14) The affiliation, if any, between the provider and the issuer of the insurance policy to be settled;
 - (15) That a life settlement broker represents exclusively the owner, and not the insurer or the provider or any other person, and owes a fiduciary duty to the owner, including a duty to act according to the owner's instructions and in the best interest of the owner;
 - (16) The document shall include the name, address, and telephone number of the provider;
 - (17) The name, business address, and telephone number of the independent third-party escrow agent, and the fact that the owner may inspect or receive copies of the relevant escrow or trust agreements or documents; and
 - (18) The fact that a change of ownership could in the future limit the insured's ability to purchase future insurance on the insured's life because there is a limit to how much coverage insurers will issue on one life.
- (b) The written disclosures shall be conspicuously displayed in any life settlement contract furnished to the owner by a provider including any affiliations or contractual arrangements between the provider and the life settlement broker.
- (c) A life settlement broker shall provide the owner and the provider with at least the following disclosures no later than the date the life settlement contract is signed by all parties. The disclosures shall be conspicuously displayed in the life settlement contract or in a separate document signed by the owner and provide the following information:
- (1) The name, business address, and telephone number of the life settlement broker;
 - (2) A full, complete, and accurate description of all the offers, counter-offers, acceptances, and rejections relating to the proposed life settlement contract;
 - (3) A written disclosure at the inception of the brokerage arrangement of any affiliations or contractual arrangements between the life settlement broker and any person making an offer in connection with the proposed life settlement contracts;
 - (4) The name of each life settlement broker who receives compensation and the amount of compensation received by that life settlement broker, which compensation includes any thing of value paid or given to the life settlement broker in connection with the life settlement contract; and

- (5) A complete reconciliation of the gross offer or bid by the provider to the net amount of proceeds or value to be received by the owner. For the purpose of this paragraph, 'gross offer or bid' means the total amount or value offered by the provider for the purchase of one or more life insurance policies, inclusive of commissions and fees.
- (d) The failure to provide the disclosures or rights described in this Code section shall be deemed an unfair trade practice pursuant to Code Section 33-59-17.

33-59-10.

- (a) In addition to other questions an insurance carrier may lawfully pose to a life insurance applicant, insurance carriers may inquire in the application for insurance whether the proposed owner intends to pay premiums with the assistance of financing from a lender that will use the policy as collateral to support the financing.
- (b) If, as described in paragraph (11) of Code Section 33-59-2, the loan provides funds which can be used for a purpose other than paying for the premiums, costs, and expenses associated with obtaining and maintaining the life insurance policy and loan, the application shall be rejected as a violation of the prohibited practices in Code Section 33-59-13.
- (c) If the financing does not violate Code Section 33-59-13 in this manner, the insurance carrier:
- (1) May make disclosures, including, but not limited to, disclosures such as the following, to the applicant and the insured, either on the application or an amendment to the application to be completed no later than the delivery of the policy:
- 'If you have entered into a loan arrangement where the policy is used as collateral and the policy changes ownership at some point in the future in satisfaction of the loan, the following may be true:
- (A) A change of ownership could lead to a stranger owning an interest in the insured's life;
- (B) A change of ownership could in the future limit your ability to purchase future insurance on the insured's life because there is a limit to how much coverage insurers will issue on one life;
- (C) Should there be a change of ownership and you wish to obtain more insurance coverage on the insured's life in the future, the insured's higher issue age, a change in health status, or other factors may reduce the ability to obtain coverage or may result in significantly higher premiums; and

(D) You should consult a professional adviser since a change in ownership in satisfaction of the loan may result in tax consequences to the owner, depending on the structure of the loan.'; and

(2) May require certifications, such as the following, from the applicant and the insured:

'(A) I have not entered into any agreement or arrangement providing for the future sale of this life insurance policy;

(B) My loan arrangement for this policy provides funds sufficient to pay for some or all of the premiums, costs, and expenses associated with obtaining and maintaining my life insurance policy, but I have not entered into any agreement by which I am to receive consideration in exchange for procuring this policy; and

(C) The borrower has an insurable interest in the insured.'

33-59-11.

(a) A provider entering into a life settlement contract, wherein the insured is terminally or chronically ill, shall first obtain:

(1) If the owner is the insured, a written statement from a licensed attending physician that the owner is of sound mind and under no constraint or undue influence to enter into a settlement contract; and

(2) A document in which the insured consents to the release of his or her medical records to a provider, life settlement broker, or insurance producer and, if the policy was issued less than two years from the date of application for a settlement contract, to the insurance company that issued the policy.

(b) The insurer shall respond to a request for verification of coverage submitted by a provider, life settlement broker, or life insurance producer not later than 30 calendar days after the date the request is received. The request for verification of coverage must be made on a form approved by the Commissioner. The insurer shall complete and issue the verification of coverage or indicate in which respects it is unable to respond. In its response, the insurer shall indicate whether, based on the medical evidence and documents provided, the insurer intends to pursue an investigation at this time regarding the validity of the insurance contract.

(c) Before or at the time of execution of the settlement contract, the provider shall obtain a witnessed document in which the owner consents to the settlement contract, represents that the owner has a full and complete understanding of the settlement contract, represents that the owner has a full and complete understanding of the benefits of the policy, acknowledges that the owner is entering into the settlement contract freely and voluntarily,

and, for persons with a terminal or chronic illness or condition, acknowledges that the insured has a terminal or chronic illness and that the terminal or chronic illness or condition was diagnosed after the policy was issued.

(d) The insurer shall not unreasonably delay effecting change of ownership or beneficiary with any life settlement contract lawfully entered into in this state or with a resident of this state.

(e) If a life settlement broker or life insurance producer performs any of these activities required of the provider, the provider is deemed to have fulfilled the requirements of this Code section.

(f) If a life settlement broker performs those verification of coverage activities required of the provider, the provider is deemed to have fulfilled the requirements of subsection (a) of Code Section 33-5-9.

(g) Within 20 days after an owner executes the life settlement contract, the provider shall give written notice to the insurer that issued that insurance policy that the policy has become subject to a life settlement contract. The notice shall be accompanied by the documents required by Code Section 33-59-10.

(h) All medical information solicited or obtained by any licensee shall be subject to the applicable provision of state law relating to confidentiality of medical information if not otherwise provided in this chapter.

(i) All life settlement contracts entered into in this state shall provide that the owner may rescind the contract on or before 15 days after the date it is executed by all parties thereto. Rescission, if exercised by the owner, is effective only if both notice of the rescission is given and the owner repays all proceeds and any premiums, loans, and loan interest paid on account of the provider within the rescission period. If the insured dies during the rescission period, the contract shall be deemed to have been rescinded subject to repayment by the owner or the owner's estate of all proceeds and any premiums, loans, and loan interest to the provider.

(j) Within three business days after receipt from the owner of documents to effect the transfer of the insurance policy, the provider shall pay the proceeds of the settlement to an escrow or trust account managed by a trustee or escrow agent in a state or federally chartered financial institution pending acknowledgment of the transfer by issuer of the policy. The trustee or escrow agent shall be required to transfer the proceeds due to the owner within three business days of acknowledgment of the transfer from the insurer.

(k) Failure to tender the life settlement contract proceeds to the owner by the date disclosed to the owner renders the contract voidable by the owner for lack of consideration

until the time the proceeds are tendered to and accepted by the owner. A failure to give written notice of the right of rescission hereunder shall toll the right of rescission until 30 days after the written notice of the right of rescission has been given.

(l) Any fee paid by a provider, party, individual, or an owner to a life settlement broker in exchange for services provided to the owner pertaining to a life settlement contract shall be computed as a percentage of the offer obtained, not the face value of the policy. Nothing in this Code section shall be construed to prohibit a life settlement broker from reducing such life settlement broker's fee below this percentage if the life settlement broker so chooses.

(m) The life settlement broker shall disclose to the owner any thing of value paid or given to a life settlement broker which relates to a life settlement contract.

(n) No person at any time prior to, or at the time of, the application for, or issuance of, a policy, or during a two-year period commencing with the date of issuance of the policy, shall enter into a life settlement contract regardless of the date the compensation is to be provided and regardless of the date the assignment, transfer, sale, devise, bequest, or surrender of the policy is to occur. This prohibition shall not apply if the owner certifies to the provider that:

(1) The policy was issued upon the owner's exercise of conversion rights arising out of a group or individual policy, provided that the total of the time covered under the conversion policy plus the time covered under the prior policy is at least 24 months. The time covered under a group policy shall be calculated without regard to a change in insurance carriers, provided that the coverage has been continuous and under the same group sponsorship; or

(2) The owner submits independent evidence to the provider that one or more of the following conditions have been met within the two-year period:

(A) The owner or insured is terminally or chronically ill;

(B) The owner or insured disposes of his or her ownership interests in a closely held corporation, pursuant to the terms of a buyout or other similar agreement in effect at the time the insurance policy was initially issued;

(C) The owner's spouse dies;

(D) The owner divorces his or her spouse;

(E) The owner retires from full-time employment;

(F) The owner becomes physically or mentally disabled and a physician determines that the disability prevents the owner from maintaining full-time employment; or

(G) A final order, judgment, or decree is entered by a court of competent jurisdiction, on the application of a creditor of the owner, adjudicating the owner bankrupt or insolvent, or approving a petition seeking reorganization of the owner or appointing a receiver, trustee, or liquidator to all or a substantial part of the owner's assets.

Copies of the independent evidence required by paragraph (2) of this subsection shall be submitted to the insurer when the provider submits a request to the insurer for verification of coverage. The copies shall be accompanied by a letter of attestation from the provider that the copies are true and correct copies of the documents received by the provider. Nothing in this Code section shall prohibit an insurer from exercising its right to contest the validity of any policy. If the provider submits to the insurer a copy of independent evidence provided for in paragraph (2) of this subsection when the provider submits a request to the insurer to effect the transfer of the policy to the provider, the copy is deemed to establish that the settlement contract satisfies the requirements of this subsection.

33-59-12.

(a) The Commissioner may promulgate regulations implementing this chapter and regulating the activities and relationships of providers, life settlement brokers, insurers, and their agents subject to statutory limitations on administrative rule making.

(b)(1) If there is more than one owner on a single policy, and the owners are residents of different states, the life settlement contract shall be governed by the law of the state in which the owner having the largest percentage ownership resides or, if the owners hold equal ownership, the state of residence of one owner agreed upon in writing by all of the owners. The law of the state of the insured shall govern in the event that equal owners fail to agree in writing upon a state of residence for jurisdictional purposes.

(2) A provider from this state who enters into a life settlement contract with an owner who is a resident of another state that has enacted statutes or adopted regulations governing life settlement contracts shall be governed in the effectuation of that life settlement contract by the statutes and regulations of the owner's state of residence. If the state in which the owner is a resident has not enacted statutes or regulations governing life settlement contracts, the provider shall give the owner notice that neither state regulates the transaction upon which he or she is entering. For transactions in those states, however, the provider is to maintain all records required if the transactions were executed in the state of residence. The forms used in those states need not be approved by the Commissioner.

(3) If there is a conflict in the laws that apply to an owner and a purchaser in any individual transaction, the laws of the state that apply to the owner shall take precedence and the provider shall comply with those laws.

33-59-13.

(a) It shall be unlawful for any person to:

(1) Enter into a life settlement contract if such person knows or reasonably should have known that the life insurance policy was obtained by means of a false, deceptive, or misleading application for such policy;

(2) Engage in any transaction, practice, or course of business if such person knows or reasonably should have known that the intent was to avoid the notice requirements of this Code section;

(3) Engage in any fraudulent act or practice in connection with any transaction relating to any settlement involving an owner who is a resident of this state;

(4) Issue, solicit, market, or otherwise promote the purchase of an insurance policy for the purpose of or with an emphasis on settling the policy;

(5) Enter into a premium finance agreement with any person or agency, or any person affiliated with such person or agency, pursuant to which such person shall receive any proceeds, fees, or other consideration, directly or indirectly, from the policy or owner of the policy or any other person with respect to the premium finance agreement or any settlement contract or other transaction related to such policy that are in addition to the amounts required to pay the principal, interest, service charges, and any cost or expense incurred by the lender or borrower in connection with the premium finance agreement or subsequent sale of such agreement; provided, further, that any payments, charges, fees, or other amounts in addition to the amounts required to pay the principal, interest, service charges, and any cost or expense incurred by the lender or borrower in connection with the premium finance agreement shall be remitted to the original owner of the policy or to his or her estate if he or she is not living at the time of the determination of the overpayment;

(6) With respect to any settlement contract or insurance policy and a life settlement broker, knowingly solicit an offer from, effectuate a life settlement contract with, or make a sale to any provider, financing entity, or related provider trust that is controlling, controlled by, or under common control with such life settlement broker unless such relationship is disclosed to the owner in accordance with paragraph (3) of subsection (c) of Code Section 33-59-9;

(7) With respect to any life settlement contract or insurance policy and a provider, knowingly enter into a life settlement contract with an owner, if, in connection with such life settlement contract, any thing of value will be paid to a life settlement broker that is controlling, controlled by, or under common control with such provider or the financing entity or related provider trust that is involved in such settlement contract unless such relationship is disclosed to the owner in accordance with paragraph (3) of subsection (c) of Code Section 33-59-9;

(8) With respect to a provider, enter into a life settlement contract unless the life settlement promotional, advertisement, and marketing materials, as may be prescribed by rule or regulation, have been filed with the Commissioner. In no event shall any marketing materials expressly reference that the insurance is 'free' for any period of time. The inclusion of any reference in the marketing materials that would cause an owner to reasonably believe that the insurance is free for any period of time shall be considered a violation of this chapter; or

(9) With respect to any life insurance producer, insurance company, life settlement broker, or provider, make any statement or representation to the applicant or policyholder in connection with the sale or financing of a life insurance policy to the effect that the insurance is free or without cost to the policyholder for any period of time unless provided in the policy.

(b) A violation of this Code section shall be deemed a fraudulent life settlement act.

33-59-14.

(a)(1) It shall be illegal for a person to commit a fraudulent life settlement act.

(2) A person shall not knowingly and intentionally interfere with the enforcement of the provisions of this chapter or investigations of suspected or actual violations of this chapter.

(3) A person in the business of life settlements shall not knowingly or intentionally permit any person convicted of a felony involving dishonesty or breach of trust to participate in the business of life settlements.

(b)(1) Life settlement contracts and applications for life settlement contracts, regardless of the form of transmission, shall contain the following statement or a substantially similar statement:

'Any person who knowingly presents false information in an application for insurance or life settlement contract is guilty of a crime and may be subject to fines or confinement in prison.'

(2) The lack of a statement as required in paragraph (1) of this subsection does not constitute a defense in any prosecution for a fraudulent life settlement act.

(c)(1) Any person engaged in the business of life settlements having knowledge or a reasonable belief that a fraudulent life settlement act is being, will be, or has been committed shall provide to the Commissioner the information required by, and in a manner prescribed by, the Commissioner.

(2) Any other person having knowledge or a reasonable belief that a fraudulent life settlement act is being, will be, or has been committed may provide to the Commissioner the information required by, and in a manner prescribed by, the Commissioner.

(d)(1) No civil liability shall be imposed on and no cause of action shall arise from a person's furnishing information concerning suspected, anticipated, or completed fraudulent life settlement acts or suspected or completed fraudulent insurance acts if the information is provided to or received from:

(A) The Commissioner or the Commissioner's employees, agents, or representatives;

(B) Federal, state, or local law enforcement or regulatory officials or their employees, agents, or representatives;

(C) A person involved in the prevention and detection of fraudulent life settlement acts or that person's agents, employees, or representatives;

(D) Any regulatory body or their employees, agents, or representatives overseeing life insurance or life settlements, securities, or investment fraud;

(E) The life insurer that issued the life insurance policy covering the life of the insured;
or

(F) The licensee and any agents, employees, or representatives.

(2) Paragraph (1) of this subsection shall not apply to statements made with actual malice. In an action brought against a person for filing a report or furnishing other information concerning a fraudulent life settlement act or a fraudulent insurance act, the party bringing the action shall plead specifically any allegation that paragraph (1) of this subsection does not apply because the person filing the report or furnishing the information did so with actual malice.

(3) A person identified in paragraph (1) of this subsection shall be entitled to an award of attorney's fees and costs if he or she is the prevailing party in a civil cause of action for libel, slander, or any other relevant tort arising out of activities in carrying out the provisions of this chapter and the party bringing the action was not substantially justified in doing so. For purposes of this paragraph, a proceeding is substantially justified if it had a reasonable basis in law or fact at the time that it was initiated.

(4) This subsection does not abrogate or modify common law or statutory privileges or immunities enjoyed by a person described in paragraph (1) of this subsection.

(e)(1) The documents and evidence provided pursuant to subsection (d) of this Code section or obtained by the Commissioner in an investigation of suspected or actual fraudulent life settlement acts shall be privileged and confidential and shall not be a public record and shall not be subject to discovery or subpoena in a civil or criminal action.

(2) Paragraph (1) of this subsection shall not prohibit release by the Commissioner of documents and evidence obtained in an investigation of suspected or actual fraudulent life settlement acts:

(A) In administrative or judicial proceedings to enforce laws administered by the Commissioner;

(B) To federal, state, or local law enforcement or regulatory agencies, to an organization established for the purpose of detecting and preventing fraudulent life settlement acts, or to the National Association of Insurance Commissioners; or

(C) At the discretion of the Commissioner, to a person in the business of life settlements that is aggrieved by a fraudulent life settlement act.

(3) Release of documents and evidence under paragraph (2) of this subsection does not abrogate or modify the privilege granted in paragraph (1) of this subsection.

(f) This chapter shall not:

(1) Preempt the authority or relieve the duty of other law enforcement or regulatory agencies to investigate, examine, and prosecute suspected violations of law;

(2) Preempt, supersede, or limit any provision of any state securities law or any rule, order, or notice issued thereunder;

(3) Prevent or prohibit a person from disclosing voluntarily information concerning life settlement fraud to a law enforcement or regulatory agency other than the department; or

(4) Limit the powers granted elsewhere by the laws of this state to the Commissioner or an insurance fraud unit to investigate and examine possible violations of law and to take appropriate action against wrongdoers.

(g)(1) Providers and life settlement brokers shall have in place antifraud initiatives reasonably calculated to detect, prosecute, and prevent fraudulent life settlement acts. At the discretion of the Commissioner, the Commissioner may order, or a licensee may request and the Commissioner may grant, such modifications of the following required initiatives as necessary to ensure an effective antifraud program. The modifications may be more or less restrictive than the required initiatives so long as the modifications may

reasonably be expected to accomplish the purpose of this subsection. Antifraud initiatives shall include:

(A) Fraud investigators, who may be provider or life settlement broker employees or independent contractors; and

(B) An antifraud plan, which shall be submitted to the Commissioner. The antifraud plan shall include, but not be limited to:

(i) A description of the procedures for detecting and investigating possible fraudulent life settlement acts and procedures for resolving material inconsistencies between medical records and insurance applications;

(ii) A description of the procedures for reporting possible fraudulent life settlement acts to the Commissioner;

(iii) A description of the plan for antifraud education and training of underwriters and other personnel; and

(iv) A description or chart outlining the organizational arrangement of the antifraud personnel who are responsible for the investigation and reporting of possible fraudulent life settlement acts and investigating unresolved material inconsistencies between medical records and insurance applications.

(2) Antifraud plans submitted to the Commissioner shall be privileged and confidential and shall not be a public record and shall not be subject to discovery or subpoena in a civil or criminal action.

33-59-15.

(a) In addition to the penalties and other enforcement provisions of this chapter, if any person violates this chapter or any rule or regulation implementing this chapter, the Commissioner may seek an injunction in a court of competent jurisdiction in the county where the person resides or has a principal place of business and may apply for temporary and permanent orders as the Commissioner determines necessary to restrain the person from further committing the violation.

(b) Any person damaged by the acts of any other person in violation of this chapter or any rule or regulation implementing this chapter may bring a civil action for damages against the person committing the violation in a court of competent jurisdiction.

(c) The Commissioner may issue a cease and desist order upon a person who violates any provision of this chapter, any rule, regulation, or order adopted by the Commissioner, or any written agreement entered into with the Commissioner, in accordance with Chapter 2 of this title.

(d) When the Commissioner finds that such an action presents an immediate danger to the public and requires an immediate final order, he or she may issue an emergency cease and desist order reciting with particularity the facts underlying such findings. The emergency cease and desist order shall become effective immediately upon service of a copy of the order on the respondent and shall remain effective for 90 days. If the department begins nonemergency cease and desist proceedings under subsection (a) of this Code section, the emergency cease and desist order shall remain effective, absent an order by an appellate court of competent jurisdiction pursuant to Chapter 13 of Title 50. In the event of a willful violation of this chapter, the trial court may award statutory damages in addition to actual damages in an additional amount up to three times the actual damage award. The provisions of this chapter may not be waived by agreement. No choice of law provision may be utilized to prevent the application of this chapter to any settlement in which a party to the settlement is a resident of this state.

33-59-16.

(a) It is a violation of this chapter for any person, provider, life settlement broker, or any other party related to the business of life settlements to commit a fraudulent life settlement act.

(b) For criminal liability purposes, a person that commits a fraudulent life settlement act shall be guilty of committing insurance fraud and shall be guilty of a felony and, upon conviction, shall be punished by imprisonment for not less than two nor more than ten years, or by a fine of not more than \$10,000.00, or both.

(c) The Commissioner shall be empowered to levy a civil penalty:

(1) Not exceeding \$1,000.00 for each and every act in violation of this chapter or, if the person knew or reasonably should have known the acts that he or she committed were in violation of this chapter, the monetary penalty provided for in this subsection may be increased to an amount up to \$5,000.00 for each and every act in violation; and

(2) The amount of the claim for each violation upon any person, including those persons and their employees licensed pursuant to this chapter, who is found to have committed a fraudulent life settlement act or violated any other provision of this chapter.

(d) The license of a person licensed under this chapter that commits a fraudulent life settlement act shall be revoked for a period of at least one year.

33-59-17.

A violation of this chapter shall be considered an unfair trade practice pursuant to state law and subject to the penalties provided by state law.

33-59-18.

(a) A provider lawfully transacting business in this state prior to July 1, 2009, may continue to do so pending approval or disapproval of that person's application for a license so long as the application is filed with the Commissioner not later than 30 days after publication by the Commissioner of an application form and instructions for licensure of providers. If the publication of the application form and instructions is prior to July 1, 2009, then the filing of the application shall not be later than August 1, 2009. During the time that such an application is pending with the Commissioner, the applicant may use any form of life settlement contract that has been filed with the Commissioner pending approval thereof, provided that such form is otherwise in compliance with the provisions of this chapter. Any person transacting business in this state under this provision shall be obligated to comply with all other requirements of this chapter.

(b) A person who has lawfully negotiated life settlement contracts between any owner residing in this state and one or more providers for at least one year immediately prior to July 1, 2009, may continue to do so pending approval or disapproval of that person's application for a license so long as the application is filed with the Commissioner not later than 30 days after publication by the Commissioner of an application form and instructions for registration of life settlement brokers. If the publication of the application form and instructions is prior July 1, 2009, then the filing of the application shall not be later than August 1, 2009. Any person transacting business in this state under this provision shall be obligated to comply with all other requirements of this chapter.

SECTION 2.

For purposes of the promulgation of rules and regulations by the Commissioner of Insurance, this Act shall become effective upon its approval by the Governor or upon its becoming law without such approval. For all other purposes, this Act shall become effective on July 1, 2009.

SECTION 3.

All laws and parts of laws in conflict with this Act are repealed.